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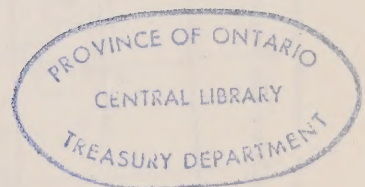
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# ITALY



SOURCE: ISTITUTO CENTRALE DI STATISTICA





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ITALY  
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## ITALY

### 1. Geography

Italy is a peninsula about 730 miles long and 150 miles wide at its widest point. It is an area of 116,305 square miles and has common land borders with France, Switzerland, Austria and Yugoslavia. Italy occupies a central position in the Mediterranean Sea with three of its basins: Tyrrhenian Sea on the west, the Ionian Sea on the south and the Adriatic Sea on the east. Included under Italian territory are the two islands of Sicily and Sardinia.

Italy's topography is generally rugged and mountainous. While the Alps constitute the northern boundary, the configuration and internal geography of Italy is determined by the Appennine chain which forms the backbone of Italy.

The only large river in Italy is the Po, which flows from west to east. There are also numerous streams and some small rivers, such as the Arno and Tiber.

Italy may be divided into three major economic regions:

- 1) the Pasture-Power-Tourist Zone, which includes the rugged Italian Alps and the north coast on the Ligurian Sea.
- 2) the Agricultural-Industrial Core, which includes the North Italian Plain and the adjoining foothills. It constitutes the economic heartland of the country.
- 3) Stratified-Agricultural Zone, includes southern and insular Italy.

The geographical position of Italy is favourable. It is in close proximity to low cost raw materials from the Middle East and is accessible to inexpensive sea transportation. Other economic advantages are - short-haul rail communications with France, Switzerland, Germany, Czechoslovakia, Yugoslavia, Austria and other continental countries.





Italian industrial activity is prominently concentrated in the Northern and Central areas. The Northern industrial triangle formed by lines joining Milan, Turin and Genoa is a region of intense economic activity. It is estimated that over 60% of the manufacturing and over 75% of Italian Trade is derived from this area. This part of Italy is comparable in income and living standards to other West European countries (West Germany, France and Great Britain). The greater Milan area contains 6% of the total population of Italy and has the highest per capita income in Italy. In this area is Genoa, Italy's main seaport and one of the major ports in Europe.

The other section of Italy, from Rome southward and including Sicily and Sardinia, is an underdeveloped area with a per capita income that is only three-fifths of the national average.

Recently special attention has been given to the promotion of industry in the South. Special measures favouring industrial location in the South are: tax and credit incentives, the creation of special financing bodies, transportation incentives and Government investments.

## 2. Climate

In Italy the climate is irregular with great variations between the north and south. The climatic frontier between Italy and Central Europe is formed by the Appennines rather than by the Alps.

The great plain of northern Italy has winter climate with cold winds from the Alps. Warm winds from the Mediterranean are, to a great extent, intercepted by the Ligurian Appennines. The summers are warm. Differences in climate and temperature in central Italy vary with proximity to the mountains.





Southern Italy has in general a very mild climate.

The temperature in Italy as a whole, for the last decade, has averaged a low of 49° F. and a high of 65° F.

### 3. Population

In 1965 the Italian population totalled 51,575,000. According to a survey made by the Institute of Economic Statistics in Rome, the Italian population should reach 54 million by 1971 and more than 57 million by 1981.

In Italy, there are 171 inhabitants per square km. The percentage of natural increase (1) is +0.7. The population is most highly concentrated in the industrial triangle formed by Milan, Turin and Genoa in the North-west area, and around Rome, Naples and other major cities.

Immediately after the Second World War, Government policy in Italy was aimed at limiting the growth of population and labour force by favouring emigration. But this policy offered little relief, since much of the world remained closed by stringent immigration laws.

The Government also attempted to redistribute the labour force between the North and the South.

Despite Government's desire to hold urban growth, the proportion of the total labour force engaged in agriculture decreased significantly. At the Second World War's end, about half of Italy's work force was engaged in agriculture. Today only 26.1% of Italy's workers are in agriculture, and 73.9 are in industry or services.

NOTE: (1) Annual average 1955 - 1965.





Persons employed in Agriculture, Industry and other sectors, and the unemployed labour from 1959 to 1964, was as follows: (1)

	Agriculture <u>000's</u>	Industry <u>000's</u>	Other Sectors <u>000's</u>	Total <u>000's</u>	Unemployed (2) <u>000's</u>
1959	6,847	7,176	6,146	20,169	1,117
1960	6,567	7,388	6,181	20,136	836
1961	6,207	7,646	6,319	20,172	710
1962	5,810	7,810	6,330	19,950	611
1963	5,295	7,986	6,349	19,630	504
1964	4,967	7,996	6,618	19,581	549

In the above table three things are notable: the manpower shift from agriculture to industry, the decrease of unemployment and the shrinkage in the labour force, despite the fact that during this period the population increased by over 1 million persons.

The total civilian occupied manpower in Italy, 1965, was 19,011 thousands, of which:

26.1% in agriculture

40.6% in industry

33.3% in other occupation (3)

NOTE: (1) Data for each year corresponds to the averages from four sample surveys made every 12 months by the Institute of Statistics.

(2) The column "unemployed" includes people who were not employed and those seeking work for the first time. Unemployed persons were those of not less than fourteen years of age, who lost their original employment, and who were seeking a new job.

SOURCE: Italy, Documents and Notes

(3) SOURCE: O.E.C.D. Observer.





#### 4. Constitution and Government

A national election and referendum were held on June 2, 1946. The referendum decided in favour of a republican form of government and the newly elected representatives formed a Constituent Assembly.

The new Constitution was approved in December 1947 and became effective in January 1948. It provided for a bicameral Parliament, for the institution of a president of the republic and for some regional autonomy in Sicily, Sardinia, Trentino and Aosta. The Constitution has not undergone any substantial modification since that time.

Legislative power belongs to the two houses collectively. In the Italian Constitution there also exists a "referendum". It must be held if it is asked for by 500,000 electors or by five regional councils.

From 1950 to 1960 Governments in Italy were formed by the Christian Democratic Party with the support of other parties.

Fragmentation of political parties has been largely responsible for governmental instability since 1946.

The largest party, the centrist Christian Democrats, has been unable to muster a majority in the lower house.

In recent years the Christian Democratic party has turned more and more to the left for support, and found it in the socialist parties.

Recent Governments have been Centre-Left Coalitions, comprising Christian Democrats, Socialists, Social Democrats and Republicans with Mr. Aldo Moro as Prime Minister.





The present president of Italy is Giuseppe Saragat, elected on December 28, 1964. The position and powers of the President of the Republic are carefully defined in the new Constitution.

Although the democratic parties have always received a clear majority in the popular vote, the Italian Communist Party has considerable strength. The Communists in Italy are becoming more Italian and reformist and less Moscow bound and revolutionary.

It can be assumed that the formation of a centre-left Government has a negative effect, on private investment plans. Entrepreneurs feel that the bargaining power under these circumstances shifts in favour of wage-earners and that State activity in the economy expands.

#### 5. Economy - General

During the Second World War, the Italian industry was almost entirely destroyed. Following the devastation, Italy embarked on an era of industrial expansion. In the first years after the Second World War, financial transfers from abroad, particularly American aid, represented an important aspect in the recovery of the economy.

After the Second World War, Italy has turned from a predominantly agrarian and overpopulated country into a fast growing urban industrial society.

This post-war recovery was remarkable. From 1952 through to 1962 the average annual increase in industrial production was 9.2%, a record high among Western European countries. This industrial growth was the result of an important structural change. Italian companies had to rebuild their plants and install new equipment. Italian industrial efficiency then matched that of any other manufacturing country.



From 1949 to 1960, there was constant and stable growth in the Italian economy. The G. N. P. increased at a yearly rate of 6%. The increase in consumption was less rapid than that of income, and savings progressively increased.

Economic development was also enhanced by the discovery of important mineral resources - gas, oil and potassium.

The rapid development of the Italian economy over the past 15 years has generally been regarded as an "economic miracle". The Italian economy has recorded the highest growth rate of the six EEC members.

While the South of Italy has advanced since 1950 to more tolerable conditions, the gap between it and the North has gotten no narrower. There was a hopeful surge in 1963 and 1964, when the massive investment projects were going into effect. Most of them were carried out by state industries under a law compelling it to locate 60% of all their investments in the South. The program for the development of the South has been extended until 1980.

At the end of 1962, however, Italy's economic boom gathered too much momentum and in the northern industrial areas a labour shortage developed.

Labour shortages in the northern industrial areas, however, are only a temporary phenomenon. Italy is the only West European country, which still has a large supply of agricultural labour. This can be used in the industrial centres. Full employment is one of the main long-term economic objectives in Italy. In geographical terms, industrial expansion in the north is being accompanied by the creation of new industry in the agricultural areas of the south, formerly depressed and underdeveloped.





Italy is now a modern industrial state. Italy's economy is healthy. It expanded further in 1966 with only a moderate increase in cost and prices.

## 6. Agriculture

Italy's agriculture is varied in many aspects. There are contrasts in climatic and soil conditions and great differences in the size of farms and the use of mechanization and modern techniques.

The near stagnation in agricultural production in Italy in the past reflected the growing technological lag in this sector. It was becoming less and less able to withstand the adverse impact of the continuing decline in the labour force, and at the same time foreign competition was being felt both in the domestic market and abroad. Neglect of agriculture has been a major mistake in the past.

The agricultural land reform in Italy began in 1950. This reform resulted not only in a re-distribution of the land property; it also meant an increase in the production of large areas, previously used for extensive cultivation. The reform included the provision of irrigation net-works, houses, livestock and agriculture machinery.

Use of agricultural land in Italy (1961) was as follows:

	<u>Cultivated Area</u>				<u>Unused but Potentially Productive</u>	<u>Forest Land</u>	<u>Total Agricultural &amp; Forest land</u>
	<u>Ground Crops</u>	<u>Tree Crops</u>	<u>Permanent Pasture</u>	<u>Total</u>			
Thousand Hectares	13,118	2,715	5,097	20,930	1,006	5,826	27,762
%	47.2	9.8	18.4	75.4	3.6	21.0	100.0

Source; Italy - Documents and Notes





Most farmers in Italy are handicapped by tiny holdings. More than a million owners till less than one acre each, and 650,000 farmers cultivate approximately one-half acre each.

Distribution of farms and holdings in Italy per number and size was as follows (1962):

<u>CATEGORY</u>	<u>FARMS</u>		<u>AREA</u>		<u>AV. SIZE (Ha)</u>
	<u>NUMBER</u>	<u>PERCENT</u>	<u>HECTARES</u>	<u>PERCENT</u>	
Up to 1 Ha	1,421,510	33.06	714,087	2.69	0.50
From 1.01 to 3 Ha	1,296,556	30.15	2,460,367	9.25	1.90
From 3.01 to 5 Ha	566,811	13.18	2,239,934	8.42	3.95
From 5.01 to 10 Ha	560,330	13.03	3,972,722	19.94	7.09
From 10.01 to 25 Ha	332,563	7.74	4,994,683	18.78	15.08
From 25.01 to 50 Ha	73,483	1.71	2,508,771	9.43	33.74
Over 50 Ha	48,610	1.13	9,708,388	36.50	199.72
TOTAL	4,299,863	100.00	26,598,352	100.00	6.19

SOURCE: Presidency of the Council of Ministers: Italy, Documents and Notes.

Note: 1 hectare (ha) = 2.471054 acres.

Italian agriculture has shown some noteworthy progress in recent years.

It reflects gains in productivity, resulting from the increased use of fertilizers and greater mechanization.



The acreage, production and yield of the principal crops in Italy, 1965-1966, were as follows:

Products	Average 1936/39	Average 1955/59	1965			1966		
	Pro- duction (in '000 tons)	Pro- duction (in '000 tons)	Acreage (in '000 ha.)	Pro- duction (in '000 tons)	Yield (tons per ha.)	Acreage (in '000 ha.)	Pro- duction (in '000 tons)	Yield (tons per ha.)
<i>Cereals:</i>								
Wheat . . . .	7,551	8,990	4,290	9,777	2.28	4,274	9,406	2.20
Rye . . . . .	138	106	48	83	1.74	46	83	1.79
Barley . . . .	222	288	186	285	1.53	179	253	1.41
Oats . . . . .	566	544	367	527	1.44	358	477	1.33
Rice paddy . .	776	734	126	481	3.82	—	—	—
Maize . . . . .	2,960	3,532	1,027	3,316	3.23	—	—	—
<i>Legumes for seed:</i>								
Broad Beans . .	635	464	412	438	1.06	402	397	0.99
Kidney Beans .	162	164	281	163	0.58	—	—	—
Peas . . . . .	18	12	9	8	0.89	9	8	0.93
Chickpeas . . .	39	50	60	41	0.68	57	40	0.70
Lentils . . . .	13	15	18	12	0.70	18	11	0.65
Sundry . . . .	61	—	57	54	1.90	47	44	1.90
<i>Potatoes and green vegetables:</i>								
Potatoes . . . .	2,716	3,520	348	3,548	10.19	—	—	—
Broad Beans . .	90	101	24	137	5.83	23	117	5.12
Kidney Beans .	49	150	43	248	5.77	—	—	—
Peas . . . . .	80	153	51	231	4.55	52	251	4.87
Tomatoes . . . .	952	2,018	127	3,177	25.03	—	—	—
Asparagus . . .	12	25	6	32	5.54	6	35	5.96
Artichokes . . .	76	222	55	539	9.77	60	580	9.73
Thistles, Fennels and Celery . . .	128	272	23	463	55.40	—	—	—
Cabbages . . . .	459	748	35	669	18.92	—	—	—
Cauliflowers . .	270	563	36	690	18.90	—	—	—
Onion and Garlic	149	351	31	507	27.41	31	502	27.70
Muskmelons and Watermelons . .	398	500	37	870	44.99	39	905	44.06





Products	Average 1956/59	Average 1955/59	1965			1966		
	Pro- duction (in '000 tons)	Pro- duction (in '000 tons)	Acreage (in '000 ha.)	Pro- duction (in '000 tons)	Yield (tons per ha.)	Acreage (in '000 ha.)	Pro- duction (in '000 tons)	Yield (tons per ha.)
<i>Industrial crops:</i>								
Tobacco . . .	43	78	55	73	1.33	—	—	—
Sugar Beets . .	3,272	8,312	282	9,075	32.19	—	—	—
Hemp . . . .	110	28	9	10	1.18	—	—	—
Flax . . . .	3.8	10	5	4	0.87	—	—	—
Cotton . . . .	5.3	26	14	12	0.82	—	—	—
Oil Seeds . . .	9.1	27	12	20	6.91	—	—	—
<i>Sundry:</i>								
Grapes . . . .	6,159	9,366	—	10,730	—	—	—	—
Olives . . . .	1,426	1,456	—	2,217	—	—	—	—
Oranges . . . .	326	652	—	993	—	—	—	—
Tangerines . . .	53	108	—	176	—	—	—	—
Lemons . . . .	327	351	—	539	—	—	—	—
Bergamot . . .	—	—	—	38	—	—	—	—
Other citrus fruit	32	—	—	4	—	—	—	—
Apples . . . .	288	1,405	—	2,185	—	—	—	—
Pears . . . .	197	466	—	962	—	—	—	—
Peaches . . . .	231	549	—	1,300	—	—	1,423	—
Apricots . . . .	25	36	—	71	—	—	77	—
Cherries . . . .	67	147	—	196	—	—	—	—
Plums . . . .	52	86	—	137	—	—	—	—
Quinces and Po- megranades . .	9.8	—	—	19	—	—	—	—
Almonds . . . .	180	150	—	226	—	—	—	—
Hazelnuts . . .	22	37	—	60	—	—	—	—
Nuts . . . .	48	58	—	70	—	—	—	—
Fresh figs . . .	306	307	—	247	—	—	—	—
Dried figs . . .	84	—	—	30	—	—	—	—
Fodder . . . .	30,140	—	10,294	36,275	6.98	—	—	—
Mulberry Leaves	977	—	—	365	—	—	339	—
Carobs . . . .	57	68	—	56	—	—	—	—
Wine (1) . . . .	38,247	59,727	—	68,793	—	—	—	—
Oil . . . .	229	252	—	417	—	—	—	—

NOTE: (1) Production in thousands of hectolitres.

SOURCE: Bolletino Mensile di Statistica and Annuario  
dell'agricoltura Italiano.





In the agricultural sector, imports have had to fill the growing gap between supply and demand. Fruits and vegetables are the only crops whose production has recently met domestic needs, with a substantial quantity left over for exports.

The share of Italian food consumption supplied by Domestic Production, in percentage, 1955 - 1965, was as follows:

Item	1955	1960	1964	1965
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Bread and cereals .....	94.5	74.1	74.2	73.1
Wheat .....	93.9	77.9	92.9	103.8
Corn <sup>1</sup> .....	80.0	70.3	53.7	41.7
Meats .....	88.1	78.8	73.4	}
Beef .....	84.5	68.1	54.4	
Fish .....	63.2	57.7	61.9	(2)
Eggs and dairy products .....	98.1	97.7	96.2	}
Cheese .....	100.0	104.5	96.1	
Fats and oils <sup>3</sup> .....	86.3	89.5	70.5	(2)
Sugar, coffee, cocoa .....	87.9	84.8	70.8	}
Sugar .....	97.1	93.0	76.8	
Beverages, alcoholic .....	102.3	104.4	115.9	108.1
Fruits and vegetables .....	120.3	117.7	113.4	(2)

NOTE: (1) Quantity used as human food irrelevant and decreasing annually.

(2) Not available

(3) Production of seed oils from imported oil seeds is counted as domestic production.

SOURCE: Central Institute of Statistics (I.S.T.A.T.)

Mechanization of Italian agriculture has recently been improving. At the end of 1966, roughly 461,000 tractors were in operation, up from 420,000 in 1965. This mechanization is indispensable because each year the proportion of the labour force engaged in agriculture declines.

Italian agriculture is soon to be faced with the creation of the Common Market unified agricultural agreement. But there are some difficulties. The cost of Italian production of meat and wheat are high partly because



the mountainous terrain and small holdings make highly mechanized agriculture difficult and partly because the climate and the terrain, except in the Lombardy plain, make fodder more expensive than in other EEC countries.

In order to develop its agriculture, the Italian Government began with its "Green Plan" which is concentrating on the consolidation of holdings and the promotion of co-operatives to develop food processing and storage. It hopes that this plan will cause major changes in Italian agriculture. For purposes of this plan a financial budget of as much as 550 billion lire is foreseen.

In the period, 1961-1963, the livestock population decreased (with the exception of pigs). Cattle breeding has not satisfied the increased demand for home consumption of meat and the demand by subsidiary industries based on the conversion of animal products, such as milk and meat (sausages).

According to the Europa Yearbook, livestock in Italy, 1962 - 1964 was as follows (000' ):

	CATTLE	SHEEP	GOATS	PIGS	HORSES, MULES, ASSES
1962 . .	9,827.0	8,084.0	1,327.0	4,555.0	1,226.0
1963 . .	9,189.0	7,857.0	1,278.0	4,684.0	1,103.0
1964 . .	8,974.0	7,710.0	1,215.0	5,027.0	1,049.0

Fishing in Italy, 1961-1964, was as follows (metric tons):

	1961	1962	1963	1964
Molluscs . .	36,255	37,891	36,918	41,955
Crustaceans . .	9,716	9,304	8,312	9,726
Other Fish . .	166,712	146,412	159,405	170,626





## 7. Forestry

According to the United Nations, Food and Agricultural Organization, the forestry situation in Italy in 1950 and 1960, was as follows:

		<u>1950</u>	<u>1960</u>
Forest Area	Million ha.	5.63	5.83
Growing stock	Mill. cu. metres without bark	311.0	290.0
Average net annual growth	Mill. cu. metres without bark	10.1	10.1
Felling	Mill. cu. metres without bark	14.8	9.7
Losses	Mill. cu. metres without bark	1.3	0.3
Forest removals	Mill. cu. metres without bark	13.48	8.84
Other removals	Mill. cu. metres without bark	9.24	9.75
Total removals	Mill. cu. metres without bark	22.72	18.59

The forests in Italy are predominantly broad-leaved and mostly coppice. In common with most of the forests of the Mediterranean region, the forests in Italy are at present in poor condition.

In Italy, forests represent 19 percent of land area (1960). By species composition of forests in use, 20 percent of the total were coniferous and 80 percent broad-leaved.

In Italy new planting is an integral part of a long-term plan designed to increase Italy's total removal by 8-10 million cu. metres a year, almost all of which would be used industrially.



## 8. Mining

Mineral deficiency in Italy is the major handicap to industry.

Italy possesses only negligible resources of coal, lignite, petroleum and iron ore, and is even poorer in most other resources needed by industry.

The major exceptions consist of sulphur, mined from old volcanic deposits, and mercury.

Other minerals, of little more than local or regional significance, include bauxite, lead, zinc, pyrites, silver and manganese. Italy is rich in building stone.

Selected mining production, 1938 - September 1966, was as follows:

(output in '000 of metric tons)

Commodities	1938	1964	1965	January-September	
				1965	1966
<i>Metalliferous ores</i>					
Bauxite . . . . .	9.5	236.1	244.4	174.5	187.1
Antimony . . . . .	23	0.8	0.8	0.5	0.5
Iron ores . . . . .	990	914.1	784.5	605.1	616.3
Management ores . . . . .	48	47.8	47.8	36.0	33.3
Mercury-containing ores . . . . .	157	276.2	322.2	241.0	236.7
Lead ores . . . . .	67	52.3	54.8	40.2	43.6
Zinc ores . . . . .	201	222.0	224.5	169.1	173.6
<i>Non-metalliferous ores</i>					
Boric acid . . . . .	6.2	0.3	0.1	0.1	—
Asbestos . . . . .	6.9	68.6	71.9	52.8	60.3
Barytes . . . . .	48	84.7	142.0	94.4	132.6
Feldspar . . . . .	13	108.6	92.3	66.4	103.7
Fluorspar . . . . .	12	124.0	147.9	106.9	147.3
Graphites . . . . .	5.5	1.3	1.2	0.9	0.7
Pyrites . . . . .	930	1,396.6	1,401.5	1,054.3	993.6
Petroleum . . . . .	13	2,687.0	2,228.9	1,757.9	1,362.7
Asphalt rock . . . . .	258	164.8	104.1	80.0	83.8
Bituminous rock . . . . .	—	174.6	165.5	120.7	149.3
Coal . . . . .	598	471.5	389.5	317.7	322.6
Brown coal . . . . .	873	1,200.6	1,018.4	799.8	812.3
Raw milled and melted sulphur .	397	52.3	55.1	43.5	23.1

SOURCE: Istituto Centrale di Statistica.





## 9. Industry

Italian industry has grown fast for twenty years and has shown a strong capability for capturing foreign markets. In Italy's industrial forefront are: iron and steel, chemicals, engineering and autos.

Special attention is given in Italy to small and medium sized industries. The Act which provides incentives for small and medium-sized enterprises has been prolonged until 1970. Beside medium and small sized industry, there are also large manufacturing concerns.

Industry has acquired increasing importance and it is not able to only satisfy more and more the domestic requirements, but it is also exporting satisfactorily.

Italian industry has some technological problems. Because internal tariffs among EEC countries are to be completely abolished by July 1, 1968, Italian industry wants to sail over the technological gaps with other advanced industrial countries in Europe and to remain competitive with other producer - countries who will have access to the six EEC countries.

Approximately half of Italy's industrial production is controlled by the Italian Government largely through IRI and ENI groups (See Appendix E).

According to Italian Central Institute of Statistics, the average index numbers of industrial production, 1964-1965, (1953=100) were as follows:



BRANCH & GROUP OF INDUSTRY	whole year		% variations	
	1964	1965	1965 on 1964	
MINING & QUARRYING. . . .	202.5	197.2	—	2.6
Coal and Peat . . . . .	77.5	65.1	—	16.0
Liquid fuel & natural gas . .	450.2	442.1	—	3.9
Metallic ores . . . . .	103.3	105.9	+	2.5
Other ores . . . . .	139.8	140.1	+	0.2
MANUFACTURING INDUSTRIES .	248.0	258.2	+	4.1
Food, beverages. . . . .	182.5	185.9	+	1.9
Tobacco . . . . .	148.8	146.8	—	1.3
Textile industries . . . . .	130.5	115.4	—	11.6
Silk & Cotton. . . . .	131.4	109.8	—	16.4
Wool. . . . .	114.0	108.6	—	4.7
Hard and Sundry Fibres .	148.3	137.2	—	7.5
Hides & skins . . . . .	163.9	152.5	—	7.0
Footwear. . . . .	178.0	175.2	—	1.6
Wood industries (exclusive of furniture). . . . .	155.8	163.6	+	5.0
Furniture and furnishings in wood. . . . .	158.8	133.3	—	16.1
Metal industries. . . . .	269.1	349.8	+	30.0
Engineering. . . . .	187.0	180.0	—	3.7
Non-electric machinery, me- tal frame-works etc. . .	172.2	159.4	—	1.6
Electric machinery . . . .	103.1	86.3	—	16.3
Scientific instruments . . .	503.6	487.6	—	3.2
Means of transport . . . .	320.6	328.4	+	2.4
Processing non-metallic ores .	300.9	277.5	—	7.8
Chemical trades. . . . .	413.4	434.6	+	5.1
Petrol & coal. . . . .	408.9	491.1	+	20.1
Rubber. . . . .	223.4	236.0	+	5.6
Industries producing cellulose for textile purposes and for artificial & synthetic fibres	568.9	566.2	—	0.5
Paper and stationery . . . .	216.1	216.2	...	...
ELECTRICITY AND GAS . . . .	209.9	226.1	+	7.7
Output of electric power. . .	232.5	253.3	+	8.9
Output of gas-works. . . . .	110.9	107.1	—	3.4
GENERAL INDEX NUMBER	243.9	254.1	+	4.2





Principal Industries in Italy are:

a) Iron and Steel

Pre-war, the iron and steel industry in Italy was mostly privately owned and consisted mainly of small units using scrap metal. It was highly protected by customs duties, and its small production based on national raw materials was mainly used for armaments.

During the Second World War, the iron and steel plants in Italy were almost completely destroyed or packed off to Germany. After the War this industry changed its structure. Iron ore has been imported and excessive protection removed. By 1950 the new policy had already resulted in a production of 3 million tons.

At the beginning of 1953 there came into being the first common market in coal, iron and steel, (European Coal and Steel Community - ECSC) including Italy in its membership. The development of the ECSC was (for Italy) of vital importance. With greater availability of raw material and easier access to markets for its finished products, the Italian iron and steel industry could reach an advanced stage of development.

With the help of new steel mills, Italy became in 1965, for the first time, a net exporter of steel products.

Among producing countries, Italy in 1964 was eighth, and its share was 2.3% of the net over-all world production.



Output of the Italian mills, 1938 - January - September 1966 was as follows:

(output in '000 of metric tons)

Commodities	1938	1964	1965	January-September	
				1965	1966
Pig-iron . . . . .	863	3,497.8	5,487.8	3,907.5	4,689.1
Steel, raw . . . . .	2,323	9,793.3	12,660.3	9,142.7	9,951.4
Rolled iron . . . . .	1,658	7,617.2	9,772.1	7,146.4	7,500.0
Iron from scrap . . . . .	76	124.4	91.1	67.4	58.6
Other iron and steel finished manufactures . . . . .	?	200.5	206.8	149.1	164.6
Iron alloys and <i>spiegel-eisen</i> special pig-irons . . . . .	66	126.9	137.0	104.7	114.0

SOURCE: Istituto Centrale di Statistica.

Steel output for the first eleven months 1966 was 7.9% better than in 1965. Italian steel consumption was from 4.2 million tons in 1952 to 13.6 million tons in 1963 with an average yearly increase of over 20%. Italian forecasts indicate a domestic consumption of about 17 million tons in 1970.

#### b) Chemical industry.

The important expansion of the Italian chemical industry in the postwar period, was stimulated by the greater availability of raw material and by increased internal and external competition. Further, with import liberalization, introduction of new techniques and increased investments, mass production was achieved and prices diminished.

Recently, the Italian chemical industry has met domestic needs and also promoted considerable exports of chemical products.





Production of selected items in Italian Chemical industries, 1938 - September 1966, was as follows:

Products	Units	1938	1960	1964	1965	January-September	
						1965	1966
Synthetic Ammonia . . .	tons	113,201	816,426	1,168,431	1,226,042	923,655	981,493
Sulphuric Acid at 50° Bé . .	»	1,721,268	3,321,691	4,624,479	4,743,695	3,509,773	3,994,351
Synthetic Organic Dyes . .	»	10,678	18,013	19,361	13,927	10,787	11,920
Tanning Materials . . .	»	90,391	101,516	89,452	88,928	68,796	48,299
Caustic Soda . . .	»	165,019	403,369	641,806	725,473	539,355	557,999
Crude Oil Processed . . .	'000 of MT	1,604	30,867	57,851	69,355	50,169	47,935
January-August							
1st categ. Ethyl Alcohol . . .	ettanidri (1)	441,723	384,850	491,367	501,291	357,158	331,483
Methyl Alcohol (2) . .	»	60,118	702,758	1,111,308	2,149,012	1,346,003	1,582,035

Great development has been attained in the Italian petrochemical sector. The new Italian chemical giant Montecatini Edison plans a 400 billion lire investment in southern Italy. The aim is both to build up industry in the South and to expand the industry's exports within the Common Market.

Italy with limited resources has created a world recognized chemical industry.

NOTE: (1) Hectolitres without water

(2) As from July 1948 figures include production of propyl alcohol.

SOURCE: Istituto Centrale di Statistica.

### (c) Cement industry

The expansion of the cement industry was favoured by the various public works programmes started after the Second World War, by the facilities granted for building and by the increasing availability of coal and fuel oil resulting from a liberalization policy.



Particularly in the North, the cement industry benefited from the growing availability of natural gas at a low cost. On the other hand, the price of cement remained under control during the whole period.

Italian cement production, 1959 - 1965, in thousand metric tons, was as follows:

1959	1,200
1960	1,334
1961	1,503
1962	1,681
1963	1,841
1964	1,903
1965	1,686

SOURCE: Monthly Bulletin of Statistics, United Nations.

The new Five Year Plan marks the completion of development plans for the cement industry, which now has a capacity of 4.8 million tons per year.

#### (d) Engineering industry

In the period 1949-1955, a comprehensive programme of modernization of the engineering industry was implemented. The "sterling balance" was used to grant loans for the purchase of machinery and equipment in the sterling area. The difficulties of reconversion and modernization of the majority of enterprises were considerable because their previous production had mainly specialized in war materials.

Production of selected Engineering industries and of selected items, 1960 - September 1966, was as follows:

Products	1960	1964	1965	January-September	
				1965	1966
Roller-bearings . . . No.	55,606,000	85,740,000	85,514,000	61,205,000	70,067,000
Sewing Machines . . . »	483,364	539,711	477,031	361,066	439,267
Typewriters . . . . »	506,303	753,826	764,536	543,927	549,767
Calculating Machines . »	417,575	604,345	550,173	395,549	435,234
State Railways Electric Locomotives (2) . . »	150	137	141	104	100
State Railways Coaches, Luggage and Freight Cars . . . . . »	3,406	7,208	9,475	6,806	5,209
Motor-Cars . . . . . »	595,907	1,028,930	1,103,932	855,840	959,462
Other Vehicles . . . »	48,913	61,556	71,639	53,156	62,630



NOTE: (1) Figures for typewriters, sewing and calculating machines represent some 95% of total output, while for the other items they stand for the full production.

(2) Includes electromotor trains and Diesel railcars.

SOURCE: Istituto Centrale di Statistica.

(e) Automobile Industry

The exceptional customs protection which this industry enjoyed in the post-war period, provided a heavy accumulation of profits used for the self-financing of important investment. These investments enabled the industry to pass from high costs and limited production to internationally competitive costs and mass production. A true use of the infant-industry tariff argument.

According to the "Banco Commerciale Italiano", Italian Production, Imports and Exports of Automobiles, 1961 - 1963, were as follows:

	(In thousands of Units)		
	<u>1961</u>	<u>1962</u>	<u>1963</u>
Domestic production	693	900	1,170
Imports	<u>39.5</u>	<u>100</u>	<u>200</u>
TOTAL	732.5	1,000	1,370
Exports	<u>234.7</u>	<u>300</u>	<u>320</u>
Available for domestic market	497.8	700	1,050

Italian output of motor vehicles in 1965 was 1,206,060 or 10.6% more than the previous year. The export trade absorbed 27.1 of the total production.

In 1966 car and truck production reached a record 1,365,890 units of which 393,569 were exported. According to ANFIA, Italy's Automobile Manufacturers' Association, this was 16.2% more than in 1965.





The Italian auto manufacturer, Fiat, did in 1966 the largest single East - West business deal by landing a \$900 million contract to build passenger cars in the Soviet Union.

(f) Shipbuilding

In the pre-war period, shipbuilding was highly protected and its costs were above the international level.

In 1949 an Act provided 34 billion lire for three years for contributions to production costs, depreciation of ships and purchasing of ships. Furthermore, the Act granted customs facilities and tax reductions on imports of materials for shipbuilding.

In 1952, the Government started a programme to develop the construction of tankers. In 1954, the Italian Government decided on a reorganization of the shipyards. The Government guaranteed exemptions from customs duties, tax reductions, and contributions to interest payments for loans contracted to finance ship building.

Shipping in Italy, 1962 - 1964, ('000 tons) was as follows:

	1962	1963	1964
Merchant Fleet (gross register)	5,476.8	5,609.6	5,611.6
Vessels Entered (net register) .	137,051	147,855	154,319
Vessels Cleared (net register) .	136,200	147,581	154,457
Goods Loaded . . . .	32,165	34,994	40,328
Goods Unloaded . . . .	99,346	112,994	120,726

SOURCE: Europa Yearbook.

Recently the two largest government backed shipbuilding groups: Ansaldo based in Genoa and Cantieri Riuniti Del Adriatico in Trieste have been merged.



(g) Textile industry

The Italian textile industry was not seriously damaged by the war. After the Second World War it started up a process of expansion and modernization. The Italian Government conceded to the textile industry special tax facilities. Furthermore, the Government granted subsidies in order to reduce costs, supported exports of man-made textile fibres in the framework of its commercial agreements, granted currency and credit facilities for the supply of cotton and other raw materials.

Actually, the Italian textile industry, especially cotton textiles is in a difficult situation. On the one hand there is strong competition by developing countries with low labour costs, and on the other hand competition by highly industrialized countries with very automated textile industries.

The production of selected items of textile industry, 1960 - 1964, was as follows:

				<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Staple Fibre	'000	Metric	tons	80.1	83.8	102.0	111.1	122.1
Cotton Yarn	"	"	"	238.6	239.3	249.2	251.4	240.1

SOURCE: Europa Yearbook.

The production of selected man made textile fibres in Italy, 1960 - September 1966, was as follows:

Products			1960	1964	1965	January-September	
						1965	1966
Rayon	. . .	quintals	459,627	814,659	912,777	853,756	643,437
Staple	. . .	"	734,572	800,708	1,221,273	1,013,196	753,236
Waste	. . .	"	59,200	46,891	60,321	47,994	36,234
							35,196

SOURCE: Istituto Centrale di Statistica.

The Italian textile industry has for some time been converting its output from mass production to quality production.





(h) Construction industry

Even though the Government has tried to stimulate construction with low - cost loans and public works projects, the construction industry in 1966 rose only by 0.3% over 1965. Past overbuilding still haunts the industry. About 12% of all new dwellings stand unsold.

The tight situation of the construction industry at home, motivated Italian contractors to switch to the international construction market. The Italian construction industry has signed contracts for the \$170 million Tio Montaro Dam project in Peru, the \$80 million Keban Dam in Turkey (1) and the \$50 million dam project in New Zealand.

NOTE: In consortium with a French group.

10. Electricity

An important condition for industrial expansion is an adequate power supply. Italy has only limited resources in this field. The production of solid fuel is almost non-existent. The rapid expansion in the consumption of oil products has been met by importing crude oil and creating refineries and other plants for the processing of products.

Because of Italy's geographical position between the Middle East and Central Europe, oil refining increased not only for the domestic market but also for exports.

Italian output of electric power, 1935 - September 1966, in millions of KWL, was as follows:



Period	Hydro-electric power	Thermo-electric power (2)	Total power produced	Power imported	Grand total	Power exported	Total power available
	a	b	(a+b)	c	(a+b+c)	d	(a+b+c-d)
1935 - Yearly total	13,420	380	13,800	218	14,018	—	14,018
Monthly average .	1,118	32	1,150	18	1,168	—	1,168
1938 - Yearly total	14,580	964	15,544	244	15,788	—	15,788
Monthly average .	1,215	80	1,295	21	1,316	—	1,316
1940 - Yearly total	17,898	1,532	19,430	252	19,682	—	19,682
Monthly average .	1,491	128	1,619	21	1,640	—	1,640
1945 - Yearly total	12,276	372	12,648	7	12,655	—	12,655
Monthly average .	1,023	31	1,054	1	1,055	—	1,055
1950 - Yearly total	21,604	3,076	24,680	274	24,954	144	24,810
Monthly average .	1,800	256	2,056	23	2,079	12	2,067
1955 - Yearly total	30,184	7,075	37,259	287	37,546	267	37,279
Monthly average .	2,515	589	3,104	23	3,127	22	3,105
1960 - Yearly total	45,388	8,895	54,283	237	54,521	343	54,178
Monthly average .	3,782	741	4,524	20	4,543	29	4,515
1965 - Yearly total	42,367	36,861	79,228	1,250	80,478	921	79,557
Monthly average .	3,530	3,071	6,602	104	6,706	76	6,629
1966							
July . . . . .	3,763	3,433	7,196	177	7,373	55	7,318
August . . . . .	3,444	3,085	6,529	123	6,652	46	6,606
September . . . . .	3,256	4,081	7,337	117	7,454	56	7,398

Source: ANIDEL (Associazione nazionale imprese distributrici di energia elettrica) and (from 1963) Bollettino mensile di statistica (Istituto Centrale di Statistica).

(1) Data refer to Electric Power generated by the plants of the « Grande produzione » (Main production): statistical data furnished by 193 Companies whose output amounts to 98% of the Italian total.

(2) Inclusive of geothermoelectric power.

Italian power generation in 1966 increased by 7.8% to 86.9 billion Kwh.

The greatest increase in the Italian production of power has been by nuclear power stations, which rose from 2,401.4 in 1964 to 3,910.0 million Kwh in 1965.

Energy consumption in Italy was, 1961-1964, as follows: (1)

	Million Metric Tons of coal equivalent	In Kilogrammes per capita
1961	60.95	1,221
1962	71.21	n.a.
1963	79.21	n.a.
1964	84.75	1,659

Note: (1) Consumption data are based on the apparent consumption of coal, lignite, petroleum products, natural gas, hydro and nuclear electricity.

N.A. - Not Available

SOURCE: United Nations Statistical Yearbook



Electric power is the most important form of energy in Italy. There has been a decrease in water resources and a tendency to increase the production of thermoelectric plants.

ENEL (Ente Nazionale per l'Energia Elettrica) is the national electricity board responsible for providing about 70% of the electrical requirements in Italy. The Italian electricity industry was nationalized in December 1962.

### 11. Atomic Energy

With the exploitation of its hydroelectric power sources now almost exhausted, Italy has turned to the development of nuclear power.

Nuclear research activities in Italy were interrupted by the Second World War. In 1945, nuclear research was again taken up with the establishment of the Centro Informazioni Studi Esperienze.

A National Committee for Nuclear Research was created in 1952. Its functions were extended in 1956 in order to promote research and the peaceful applications of nuclear power. In 1959 a National Board for Nuclear Energy was created. It co-ordinates, promotes and effects studies and researches; and it controls industrial activities connected with atomic power.

A decisive step was taken by the law of August 11, 1960, which established a state organization for nuclear energy, the Comitato Nazionale per l'Energia Nucleare: CNEN. It assumed all the responsibilities of its predecessor (National Institute of Nuclear Physics). At the same time, the sum of \$128 million was assigned for nuclear research for the succeeding five-year period.





Italy has three nuclear power plants in operation. Their total power is 617 MWE.

A fourth nuclear plant, of approximately 640 MWE, will be completed in 1970.

Rich deposits of uranium are not available in Italy. But even though this country may have to depend entirely upon importation, the total cost of nuclear fuels will probably be far below that of other normal sources.

It is interesting that the Euratom agreement specifically obliges member countries to prospect for uranium and thorium within their territories. Prospecting carried out in Italy has only led to the discovery of minimal quantities of uranium and thorium.

The rapid development in the use of radioactive isotopes in such varied fields as medicine, industry, agriculture and biology has increased the demand for radio isotopes in Italy. In 1964 it is estimated that 60,000 curies were used.

The United States is the chief supplier of radio isotopes to Italy, providing 51% of the isotopes utilized in 1963, followed by Canada with 43% and France 2%.

Italy's principal producer of radio isotopes is the Societa Ricerche Impianti Nucleari (Sorin) at Saluggia. It produced in 1964, 143,330 millicuries of radio isotopes.



Italy's planned expenditure for the peaceful uses of atomic energy for the 1965 to 1969 period was as follows:

1965	\$36.8 million
1966	49.6 "
1967	49.6 "
1968	52.0 "
1969	52.0 "
TOTAL	<u>\$240.0 million</u>

SOURCE: Atomic Handbook.

Current and planned installed power plant capacities in Italy by type were as follows: (1)

	1963		1968		1973	
	Thousand		Thousand		Thousand	
	MW	kWh	MW	kWh	MW	kWh
Hydroelectric	12,800	43,400	14,700	48,300	16,200	52,400
Fossil	7,850	34,500	12,050	61,200	16,850	89,600
Nuclear	350	1,100	690	4,500	3,190	17,500
Total	21,000	79,000	27,440	114,000	36,240	159,500
Maximum Load	12,000	72,000	16,800	101,000	23,600	142,000

NOTE: From the Italian Planning Report, 1964.

New Plants to be built in Italy in the 1964 to 1973 period were as follows:

	1964-1968			1969-1973		
Hydroelectric	1,900 (a)	5,000 (b)	2,650 (c)	1,500 (a)	4,000 (b)	2,650 (c)
Fossil	4,200 (d)	25,000	6,000	4,800 (d)	28,800	6,000
Nuclear	340 (e)	2,200	6,500	2,000	16,200	6,500
Total	6,440	32,400	5,000	8,300	49,000	5,452
Additional Needs	4,800	29,000	—	6,800	41,000	—

Notes: (a) Installed power in MW  
 (b) Average yearly capacity in thousand kW hours  
 (c) Utilization hours per year  
 (d) Over 400 MW to replace obsolete plants  
 (e) Includes Trino Vercellese and Garigliano planned increase

SOURCE: Atomic Handbook.

Italy has drawn up a comprehensive plan to create a large scale nuclear industry.





## 12. Gross National Product

According to E. Tosco in "Economic Policy in our Time", the increments of the national product and expenditure in Italy at 1954 prices, 1949 - 1960, in percentages were as follows:

	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	Average 1949-1960
1. Consumption	4.7	4.7	5.8	5.7	6.5	3.3	3.6	4.3	4.0	4.1	5.1	6.3	4.9
a) private	7.5	4.7	4.8	4.2	7.7	2.3	3.8	4.2	4.1	3.0	5.6	6.4	4.6
b) public <sup>1)</sup>	-12.5	4.7	13.2	16.2	-0.6	9.6	2.3	5.0	3.7	11.2	2.1	6.0	6.6
2. Gross domestic capital formation	6.6	14.6	12.9	-0.8	10.1	8.4	16.3	4.7	8.1	1.8	11.7	19.1	9.6
3. Exports of goods and services	15.6	22.7	11.3	-1.4	24.0	9.5	13.2	12.1	22.6	3.9	16.6	19.6	13.7
4. Less: Imports of goods and services	9.9	12.5	6.4	13.1	17.3	2.5	8.1	13.4	12.2	-1.3	9.9	13.7	11.6
5. Gross national product at market prices	5.3	7.1	7.6	2.9	7.6	5.1	6.7	4.2	6.3	4.4	7.7	6.9	6.0

The present phase of the Italian economic system is emphasized by the fact that about 20% of the Gross National Product is devoted to investment and 80% to consumption: Only Canada with an annual ratio of Gross Investment to Gross National Product of 25% or above and Japan with an estimated ratio running up to 30% have markedly outdistanced Italy.

The G.N.P. in Italy at current prices, 1965, was \$56,760 million and G.N.P. per capita \$1,100. The structure of Italian G.N.P. at current prices - in percentages - was as follows:

Agriculture	13.4%
Mining and quarrying, manufacturing, industry, construction, electricity and water.	39.5%
Other activities (2)	47.1%



Between 1955 and 1965, Italy's G.N.P. increased by 72% in terms of constant prices. According to the Government Report on the Economic Situation of Italy in 1966, G.N.P. rose in 1966 by 5.5% in 1963 prices and by 7.9% at current prices, to Lire 38, 397 billion (\$61.4 billion).

The gross output of manufacturing and utilities rose in 1966 by 8%, while income from trade and other services rose by 4.8%. Agricultural production increased by only 0.5%, and construction activity rose by only 0.3%.

In the Five Year Plan, a G.N.P. of \$71.84 billion is foreseen for 1970, 26% above the 1965 level.

NOTE: (1) Central and local government current expenditures, including Social Security agencies.

(2) SOURCE: The O.E.C.D. - Observer.

### 13. Foreign Trade

Italy's economy is becoming more and more dependent on Foreign Trade.

Italian Foreign Trade (1), 1960 - 1966, in billions of lire, was as follows:-

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Exports	2,280	2,614	2,918	3,159	3,724	4,509	5,022
Imports, cif	2,953	3,265	3,797	4,745	4,533	4,594	5,357

Exports as well as imports have been expanding and Italy has become increasingly tied to foreign markets.

In 1963, there was strong expansion in Italy's internal demand, and chiefly for consumer goods which led to heavier purchasing in foreign markets, as well as a rise in domestic prices.



In 1964, a gradual reduction in internal demand forced Italian enterprises to turn to foreign markets to offset the weaker demand on the domestic market. In 1964 imports fell by 5% and remained more or less stationary in 1965. In 1966 imports increased by 16.61% and exports by 11.35%.

Italian imports by main categories, 1964-1965, in billions of lire, were as follows: (2)

CATEGORIES	1964	% of total	1965	% of total	% variation 1964/65
Agricultural foodstuffs and livestock..	864 3	19.1	1,039 6	22.7	+ 20.3
Raw materials for industry .....	887 3	19.6	905 6	19.7	+ 2.1
Sources of energy .....	621 2	13.7	711 3	15.5	+ 14.5
Industrial semi-finished goods .....	872 1	19.2	833 3	18.1	- 4.4
Industrial finished goods .....	1,288 0	28.4	1,102 3	24.0	- 14.4
of which:					
durable .....	843 6	18.6	675 3	14.7	- 20.0
consumer .....	444 3	9.8	427 0	9.3	- 3.9
Total .....	4,532 8	100.0	4,592 0	100.0	+ 1.3

NOTE: (1) SOURCE: International Monetary Fund.

(2) SOURCE: Italy, Documents and Notes.

In 1965, imports of industrial semi-finished and finished goods showed a marked deterioration. Particularly the sub-group of durable goods. Among agricultural imports, feedgrains, livestock, livestock products and fats and oils, led the list of deficit items. In 1966, cost of feedgrain imports was \$400 million. The meat imports, kept Italy third on the list of the world's major beef importers, surpassed only by the United States and the United Kingdom.

Although, imports of raw materials for industry in 1965 expanded, the increase was considerably less than the imports of agricultural products and sources of energy.

In the groups "Sources of Energy" imports of crude petroleum increased while imports of coal dropped by 4.6%.





Imports of industrial finished goods decreased in 1965 by 14.4%. This decrease was largely in durable goods and to a lesser degree in consumer goods.

In the groups semi-finished materials for industry the decrease in imports, 1965, was most apparent in iron and steel and common sawn wood.

Italian exports by main categories, 1964-1965, in billions of lire, were as follows.

GROUP	1964	% of total	1965	% of total	% variation 1964/65
Agricultural products.....	291.7	7.9	356.4	7.9	+ 22.6
of which:					
Fruits, vegetable, citrus .....	248.9	6.7	287.9	6.4	+ 15.6
Foodstuffs .....	126.0	3.4	147.4	3.3	+ 17.0
Beverages .....	43.0	1.2	47.7	1.1	+ 10.9
Textiles .....	515.5	13.8	551.5	12.3	+ 7.0
Clothing .....	224.6	6.0	264.2	5.9	+ 17.6
Metallurgic .....	210.3	5.6	314.1	7.0	+ 49.3
Machinery and allied .....	594.3	16.0	728.5	16.2	+ 22.6
Precision tools .....	147.2	4.0	172.3	3.8	+ 17.1
Transport .....	444.1	11.9	493.8	11.0	+ 11.2
Other metal-mechanical products ....	123.6	3.3	172.5	3.8	+ 39.5
Chemical .....	316.3	8.5	384.3	8.5	+ 21.5
Coal and petroleum by-products .....	195.3	5.2	256.1	5.7	+ 31.1
Rubber .....	65.1	1.8	62.6	1.4	- 3.9
Other industrial products .....	427.0	11.4	541.1	12.1	+ 26.7
Total .....	3,724.0	100.0	4,492.5	100.0	+ 20.6

SOURCE: Italy, Documents and Notes.

With regard to exports, the biggest share is held by machinery and allied items, followed by transport and textile products. In percentage increases 1964 - 1965 the first place goes also to the metallurgic industries, followed by other metal-mechanical products, petroleum by products, machinery and allied equipment and the chemical industries.

Considerable export expansion was registered in the agricultural - foodstuffs industries and beverages.



From both a geographical point of view and by economic blocks the first place in Italian imports is occupied by Europe with more than 50% of the total. Within Europe the biggest share of Italian imports is accounted for by EEC countries even though in 1965 this area showed a contraction of 3.3%. The biggest increase in percentage of the total imports in 1965 goes to Comecon countries, Africa and Asia.

Italian imports by geographical areas and groups of countries, 1964 - 1965, in thousand million lire, were as follows: (1)

CONTINENTS	1964	% of total	1965	% of total	% variation 1964/65
Europe .....	2,555 0	56.4	2,485 9	54.1	— 2.7
of which:					
— EEC countries .....	1,480 5	32.7	1,432.1	31.2	— 3.3
— EFTA countries .....	646 8	14.3	591.1	12.8	— 8.6
— Comecon countries .....	232 2	5.1	273 9	5.9	+ 17.9
The Americas .....	1,002 9	22.1	1,025.4	22.3	+ 2.2
of which:					
— USA and Canada .....	658 6	14.5	675 0	14.6	+ 2.5
— South America .....	344.3	7.6	350.4	7.7	+ 1.8
Africa .....	307.2	6.8	339.0	7.4	+ 10.3
Asia .....	553 6	12.2	638 6	13.9	+ 15.4
Australasia .....	106 0	2.3	90.4	2.0	— 14.7
Other sources .....	8 2	0.2	12 7	0.3	+ 54.4
General Total ...	4,352 8	100.0	4,592 0	100.0	+ 1.3

Italian imports, 1963 - 1965, by selected countries, shows the following table.

(1) SOURCE: Italy, Documents and Notes.





ITALY'S FOREIGN TRADE WITH THE SELECTED COUNTRIES,  
TOTAL (IN THOUSAND U.S. DOLLARS) AND PERCENTAGE OF TOTAL

IMPORTS

Countries	1963		1964		1965	
	Total	Percent -age of Total	Total	Percent -age of Total	Total	Percent -age of Total
United States	1,027,749	13.63	979,529	13.54	988,597	13.46
Canada	84,466	1.20	67,847	0.95	91,372	1.24
Argentina	215,000	2.85	266,791	3.69	279,706	3.81
Brazil	70,860	0.93	82,247	1.15	88,847	1.21
Belgium Luxembourg	240,497	3.18	210,561	2.91	207,376	2.82
France	732,478	9.71	713,737	9.87	718,015	9.77
Germany, Federal	1,278,350	16.95	1,178,934	16.95	1,081,361	14.72
Netherlands	223,442	2.96	261,398	3.61	284,614	3.87
United Kingdom	462,612	6.13	395,592	5.47	340,199	4.63
Denmark	101,160	1.34	98,050	1.35	86,826	1.18
Sweden	146,451	1.94	135,172	1.87	127,029	1.73
Austria	210,407	2.79	169,352	2.34	161,817	2.20
Switzerland	192,261	2.55	182,812	2.53	172,371	2.35
Yugoslavia	161,938	2.14	133,611	1.85	142,930	1.95
U.S.S.R.	175,748	2.33	147,037	2.03	181,291	2.47
Kuwait	195,159	2.58	295,322	4.08	361,125	4.92
Poland	56,952	0.75	52,890	0.73	61,201	0.83
Iraq	156,483	2.07	112,371	1.55	123,205	1.68
Saudi Arabia	132,992	1.76	161,293	2.23	186,450	2.54
Australia	121,405	1.61	131,002	1.81	112,805	1.54
Other Countries	1,552,781	20.60	1,455,754	20.14	1,550,119	21.08
TOTAL-	7,539,191	100.00	7,231,302	100.00	7,347,256	100.00

Source: United Nations, Commodity Trade Statistics, 1963-65.



The Italian trend in exports by geographical areas in 1965 shows a growth in exports to EEC countries, United States, Canada and Comecon countries.

Italian exports by geographical areas and group of countries, 1964 - 1965, in thousands of million lire, were as follows:

TABLE IV - ITALIAN EXPORTS PER CONTINENTS AND GROUPS OF COUNTRIES IN 1964 AND 1965  
(in thousand million lire)

CONTINENTS	1964	% of total	1965	% of total	% variation 1965/64
Europe .....	2,561.1	68.8	3,115.6	69.3	+ 21.6
of which:					
— EEC Countries .....	1,408.9	37.8	1,806.8	40.3	+ 28.2
— EFTA Countries .....	687.7	18.6	749.2	16.6	+ 8.9
— Comecon Countries .....	172.2	4.5	205.9	4.5	+ 19.5
The Americas .....	561.7	15.1	636.0	14.2	+ 13.2
of which:					
— USA and Canada .....	354.0	9.5	431.5	9.6	+ 21.9
— South America .....	207.7	5.6	204.5	4.6	— 1.6
Africa .....	235.6	6.3	316.0	7.0	+ 34.1
Asia .....	258.9	6.9	317.0	7.1	+ 22.4
Australasia .....	36.7	1.0	38.7	0.9	+ 5.2
Other sources .....	70.0	1.9	69.4	1.5	— 0.9
General Total ...	3,724.0	100.0	4,492.5	100.0	+ 20.6

Italian exports by selected countries, 1963 - 1965, shows the following table:



ITALY'S FOREIGN TRADE WITH THE SELECTED COUNTRIES,  
TOTAL (IN THOUSAND U.S. DOLLARS) AND PERCENTAGE OF TOTAL

EXPORTS

Countries	1963		1964		1965	
	Total	Percent -age of Total	Total	Percent -age of Total	Total	Percent -age of Total
United States	475,597	9.42	507,169	8.51	618,083	8.60
Canada	48,808	0.98	59,412	1.00	72,296	1.01
Argentina	116,537	2.31	113,844	1.91	86,224	1.20
Brazil	42,020	0.83	21,525	0.36	23,070	.32
Belgium Luxembourg	182,003	3.61	234,618	3.94	284,526	3.96
France	523,959	10.38	650,198	10.92	741,405	10.31
Germany, Federal	902,452	17.88	1,131,727	19.00	1,524,280	21.21
Netherlands	183,929	3.64	249,314	4.18	340,738	4.74
United Kingdom	270,350	5.36	332,829	5.59	337,573	4.70
Denmark	52,145	1.03	68,354	1.15	78,331	1.09
Sweden	105,839	2.10	114,897	1.93	139,143	1.94
Austria	131,225	2.60	140,762	2.36	165,930	2.31
Switzerland	339,638	6.73	359,332	6.03	389,684	5.42
Yugoslavia	113,291	2.24	172,419	2.89	144,185	2.01
U.S.S.R.	114,331	2.27	90,712	1.52	98,113	1.36
Poland	33,813	0.67	31,293	0.52	50,216	0.70
Kuwait	13,572	0.27	14,647	0.25	19,454	0.27
Iraq	8,295	0.16	12,508	0.22	12,433	0.17
Saudi Arabia	12,094	0.24	18,033	0.30	27,122	0.38
Australia	37,415	0.74	49,108	0.82	49,730	0.69
Other Countries	1,339,274	26.54	1,583,594	26.60	1,985,502	27.61
TOTAL-	5,046,587	100.00	5,956,295	100.00	7,188,038	100.00

Source: United Nations, Commodity Trade Statistics, 1963-1965.





The large expansion of Italian Foreign Trade in the last decade was due mainly to the increased productivity of the various economic sectors, especially industry and also to the favourable situation in Western markets.

Italian membership in the EEC, which allowed increased specialization in production, and accelerated economic development, has led to a rapid increase in Italian Foreign Trade and greater participation in the international business and economic world. Italy's economic relations with EEC countries have gone through very wide fluctuations during the last five years.

In 1966, Italy was already feeling the slacker business situation in the West German market which accounts normally for one fifth of all Italian exports. France and the United States which occupy second and third place, are both looking less expansionary than they were. However, Italy might recoup part of such export losses through the drive which it is making to get into Eastern Europe.

Some 80% of goods from Eastern Europe hitherto subject to Italian import restrictions were liberalized in 1967, under a directive issued by the Italian Foreign Trade Ministry. Agricultural products currently subject to European Economic Community common regulations are not included in the liberalization move (1).

Italian exports to East Europe (excl Yugoslavia) in 1966 rose by 9.9% to \$429.9 million. It constituted only 5.3% of the Italian global shipments abroad.



Italian imports from East Europe in 1966 rose by 19.1% to \$576.9 million equivalent to 6.7% of total Italian imports.

A law introducing increased state assistance for Italian exporters came into force in April 1967. This law included State assistance for insurance of ordinary commercial risks in the export of goods and services.

The Italian Institute for Foreign Trade forecasts that in 1967 total imports will rise 16% over 1966 and Italy's exports by 10%. To finance increasing imports of raw materials and of consumer goods, Italian exports of processed and semi-processed goods must continue to grow.

(1) SOURCE: Reuters Limited, East - West Trade News, London, May 4, 1967.

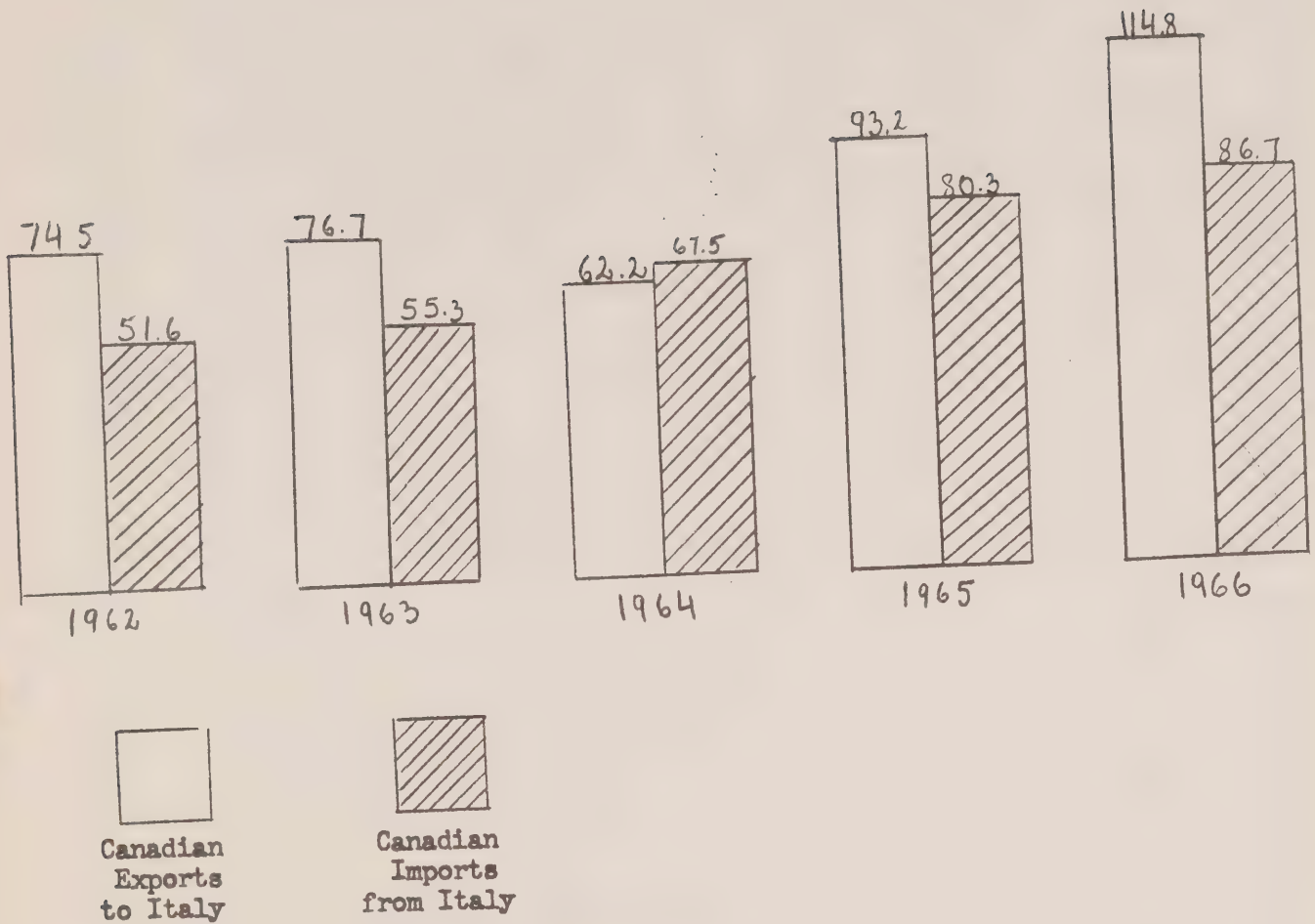
#### 14. Canadian Trade with Italy.

Trade relations with Italy are governed by the GATT convention; each country granting most favoured treatment to the other.

Canadian Foreign Trade with Italy, 1962 - 1966, was as follows:

(in millions of dollars)





SOURCE: D.B.S. Trade of Canada.





CANADIAN EXPORTS OF SELECTED COMMODITIES TO ITALY 1964 - 1966 were as follows:

<u>Class No.</u>	<u>Commodities</u>	1964	1965	1966
		\$000's	\$000's	\$000's
119	Cattle, purebred	299	1,527	-
4209	Cod, light salted 43% or less	625	529	337
4440	Salmon, chum, canned	220	237	115
4442	Salmon, pink, canned	378	155	429
5152	Milk powder, skim milk	945	1,575	1,071
5199	Dairy products N.E.S.	2,980	957	-
6119	Barley	1,328	7,282	12,793
6139	Oats N.E.S.	159	1,239	-
6165	Durum wheat except seed	955	365	5,215
6169	Wheat except seed N.E.S.	4,338	11,205	16,440
9180	Potatoes, seed	112	300	824
17340	Whisky	180	276	77
20110	Cattle hides, raw	141	425	463
20203	Fur skins, beaver	422	240	308
21240	Rapeseed	360	5,738	6,390
23637	Pulpwood, balsam fir, spruce peeled	2,658	3,017	1,670
25108	Iron ore, concentrated	194	3,631	2,387
25112	Iron ore, agglomerated	-	2,731	5,176
25249	Aluminum and aluminum alloy scrap	2,766	4,424	4,869
25330	Copper scrap	64	468	47
25410	Lead in ores and concentrates	-	1,219	-
25530	Nickel in oxide	1,042	744	1,713
27130	Asbestos milled fibres, group 4 & 5	2,661	1,484	2,089
27999	Non-metallic minerals, crude N.E.S.	431	879	-
33138	Lumber, douglas fir	721	1,101	2,230
33143	Lumber, hemlock	525	701	726



Class No.	Commodities	1964	1965	1966
		\$000's	\$000's	\$000's
34020	Wood pulp bl, sulphate paper grades	3,032	3,402	5,549
34040	Wood pulp, sulphate unbl, strong	1,771	1,977	1,769
34075	Wood pulp, mechanical, unbleached	727	2,010	806
39999	Gum, wood and vegetable extracts N.E.S.	385	416	522
40299	Inorg, bases & metallic oxides N.E.S.	203	237	119
42499	Plastic and syn rubber not shaped N.E.S.	1,908	1,451	1,827
44219	Pig iron	1,178	468	244
44599	Sheet and strip steel N.E.S.	257	260	289
45109	Aluminum pigs ingots shot slabs	1,920	6,207	4,079
45204	Copper, refining shapes	1,150	724	69
45415	Nickel anodes cathodes ingots rods	705	687	996
45708	Zinc blocks, pigs and slabs	820	1,478	1,092
47699	Abrasive basic products N.E.S.	322	409	775
50019	Power boilers, equip and parts	118	625	14
52979	Textile industries machinery and parts	194	286	385
60099	Aircraft assemblies equip and pts N.E.S.	1,750	1,743	518
70019	Navigation instruments appar and parts	1,381	3,139	5,653
77121	Card punch sort tab computers and parts	1,601	1,214	743
87019	Biological prods for humans	227	261	121
87049	Vitamins and prep, pharm, grade	131	139	122
96035	Prefab, buildings, structure and parts	4	163	-
Others		17,949	13,451	23,726
Grand Total		62,237	93,223	114,787

SOURCE: D.B.S. Trade of Canada.



Italy is an important market for a wide range of Canadian products. In 1966, Italy was in 5th place among the European countries to which our goods were shipped. Italy occupied 4th place in 1966 among European countries exporting to Canada. Our trade with Italy is constantly increasing (1) (with the exception of 1961 and 1964) and becoming more varied.

Most of Canada's exports to Italy are primary products but exports include a significant volume of processed or manufactured goods. Our principal exports to Italy are agricultural goods, metals including nickel, iron, copper and aluminum, and wood pulp and asbestos are high among our sales. Wheat is normally the most important item in our export to Italy but this depends on Italian wheat production.

NOTE (1)

According to D.B.S., Trade of Canada, our foreign trade with Italy, 1958 - 1965, was as follows:

Years	Exports \$'000	Imports \$'000	Trade Balance \$'000
1958	29,915	32,820	- 2,905
1959	31,717	37,656	- 5,939
1960	68,393	42,843	+25,550
1961	67,688	49,140	+18,548
1962	74,521	51,859	+22,662
1963	76,761	55,303	+21,458
1964	62,236	67,462	- 5,226
1965	93,223	80,279	+12,944
1966	114,787	86,718	+28,069

Of the groups of products "Crude materials excluding fuels" were the biggest segment of the total Italian imports from Canada 1965 followed by the group "Food and live animals" and "Basic Manufactures".

The Canadian share of the total world Italian imports - in percentage - 1963 - 1965, was as follows: (1)

1963	1.12% of total
1964	0.94% " "
1965	1.24% " "





The table below shows Italy's imports from all countries and from Canada, total and percentage of total:

(thousand U.S. dollars)

SITC No.	Item	1963			1964			1965		
		Total '000 U.S.\$	From Canada	Canada's Percent- age of Total	Total '000 U.S.\$	From Canada	Canada's Percent- age of Total	Total '000 U.S.\$	From Canada	Canada's Percent- age of Total
0	Food and live animals	1,263,511	18,011	1.43	1,303,404	9,826	0.75	1,571,002	25,089	1.60
1	Beverages and tobacco	60,398	105	0.17	51,617	114	0.22	39,598	--	--
2	Crude materials excl. fuels	1,521,756	35,891	2.36	1,485,952	33,224	2.24	1,565,829	39,945	2.55
3	Mineral fuels, etc.	922,325	--	--	1,017,786	--	--	1,155,703	--	--
4	Animal, vegetable oil, fat	148,898	164	0.11	72,019	236	0.33	72,099	435	.60
5	Chemicals	432,956	2,129	0.49	461,089	2,057	0.45	481,943	1,939	.40
6	Basic manufactures	1,328,340	19,727	1.49	1,170,284	15,015	1.28	1,077,919	16,439	1.53
7	Machines, transport equipment	1,563,034	5,606	0.36	1,353,854	6,477	0.48	1,091,523	5,051	0.46
8	Misc. manufactured goods	258,804	2,610	1.00	271,802	684	0.25	254,392	2,332	0.92
9	Goods not classified by kind	39,164	215	0.55	43,493	212	0.49	37,249	--	--
	TOTAL-	7,539,186	84,458	1.12	7,231,300	67,845	0.94	7,347,257	91,230	1.24

Note: -- not applicable.

Source: United Nations, Commodity Trade Statistics, 1963-1965.



On the other hand, Canada purchases a wide variety of products from Italy which include, cheese, fruits, grape wines, machine tools and machinery, office equipment, textiles, boots, shoes and others.

Various typical Italian food products enjoy a good market in Canada and Italian handicraft articles are becoming increasingly popular.



CANADIAN IMPORTS OF SELECTED COMMODITIES FROM ITALY 1964 - 1965

Class No.	Commodities	1964	1965	1966
		\$000's	\$000's	\$000's
5139	Cheese	2,221	2,467	1,753
7612	Cherries in liquid preser not canned	937	1,312	1,231
7659	Fruits in liquid preser not canned N.E.S.	137	167	169
8140	Filberts, not shelled	347	258	204
9893	Tomatoes, canned N.E.S.	975	1,035	769
10499	Sugar prep and confectionery N.E.S.	168	166	172
17230	Grape wines, still	2,113	2,333	926
20120	Calf and kip skins	605	362	477
21950	Broom corn	82	156	52
24249	Wool noils	198	141	219
33555	Plywood, hardwood, 1/8 inch or less	158	156	31
36619	Rayon yarn, viscose or acetate	136	713	492
36639	Nylon yarn	3,230	3,546	924
37149	Broad woven fabrics, silk N.E.S.	288	413	575
37203	Woollen fabrics all wool 12 oz or over	278	372	409
37208	Woollen fabrics all wool 9 oz and less	443	331	355
37218	Worsted fabrics all wool 9 oz and less	337	379	542
37519	Rayon broad woven fabrics	645	726	670
37708	Woollen fabrics wool mixture 9 oz and less	666	493	206
37739	Broad woven fabrics wool mixture N.E.S.	194	310	257
37769	Rayon mixture broad woven fabric N.E.S.	1,081	1,354	1,218
38619	Embroidered and ornamented fabric	100	201	269
39340	Olive Oil	374	268	435
40099	Chemical elements N.E.S.	171	285	306
42324	Vinyl chloride resins	994	1,054	687
43149	Motor Gasoline N.E.S.	195	187	-





Class No.	Commodities	1964	1965	1966
		\$000's	\$000's	\$000's
44405	Concrete reinforced bars carbon steel	2,319	3,264	11
44620	Struct shape steel intermediate N.E.S.	266	356	-
47108	Marble, shaped or dressed	594	654	557
47306	Colourless sheet glass over 34 oz	921	1,004	456
49272	Shoe findings N.E.S.	99	119	119
51032	Winches, windlasses and parts	10	20	38
52303	Metal boring drilling machy and parts	101	283	546
52309	Metal milling machines and parts	162	972	675
52612	Offset, lithographing presses and parts	307	268	166
52732	Weaving machinery and parts	14	197	9
52740	Knitting machinery and parts N.E.S.	116	540	123
52932	Plastics Industry machinery and parts	267	578	832
52936	Chemical pharm prod machinery and parts N.E.S.	56	840	17
55199	Tractors and parts and attachments N.E.S.	985	1,365	1,688
58125	Closed sebans, new	289	1,136	1,929
58739	Motorcycles, side cars and parts	399	701	979
61120	Bicycle parts and accessories N.E.S.	143	174	101
65582	Refrigeration compressor units	277	446	381
67219	Faucets tub-fillers showers and comb	245	259	204
68199	Electric lighting fixtures and parts N.E.S.	137	258	293
74012	Furniture, wooden, house hold, not uphol	225	241	282
75865	Scissors, shears and trimmers	140	158	155
77108	Adding machines and parts	1,034	1,937	1,542
77115	Calculating machines and parts	2,405	1,408	4,244
78465	Suits and dresses, knitted	1,752	1,954	2,515
78471	Sweaters cardg knit wool women & girls	2,344	1,603	1,632



Class No.	Commodities	1964	1965	1966
		\$000's	\$000's	\$000's
78499	Outerwear, knitted N.E.S.	526	471	504
78639	Headsquares and kerchiefs	358	230	191
78680	Gloves and mittens, leather	905	990	934
78952	Womens handbags and purses	406	373	395
79012	Boots and shoes mens and boys last made pair	1,707	1,661	1,660
79014	Boots and shoes women and girls last made pair	2,558	2,449	3,018
79016	Boots and shoes child infants last made pair	242	307	354
81017	Jewellery of precious metal	245	247	367
84418	Wilton carpet in rolls, wool and hair sq ft.	442	742	495
84601	Bedspreads, textile	393	424	643
86732	Art and decorative ware N.E.S.	422	394	348
87299	Antibiotics for human use N.E.S.	260	178	148
88036	Spectacles and eyeglasses, complete	673	673	601
89129	Magazines and periodicals N.E.S.	129	258	226
90204	Ball point pens	4	137	332
91523	X-Ray film, unexposed	314	381	191
91539	Unexposed photographic film N.E.S.	124	435	173
92176	Accordions, concertinas and parts	587	559	562
94915	Prefabricated structure and parts N.E.S.	512	1,066	4,755
96169	Metal end products N.E.S.	108	112	162
97010	Import packing re-usable or unclas	174	137	90
97075	Shipments of less than \$200 each	565	881	1,563
Others		23,129	27,255	36,164
Grand Total		67,463	80,280	86,718

SOURCE: D.B.S. Trade of Canada.



Of Italian exports to Canada, 1963 - 1965, the biggest was the group "Beverage and <sup>tobacco</sup> ~~alago~~", followed by the group "Animal, vegetable oil, fat" and the group "Miscellaneous manufactured goods".

Canadian share in percentage of Italian total exports, 1963 - 1965, was as follows:

1963	0.98%
1964	1.00%
1965	1.01%





The table below shows Italy's exports to all countries and to Canada, total and percentage of total:

(thousand U.S. dollars)

SITC No.	Item	1963			1964			1965		
		Total '000 U.S.\$		Canada's Percent- age of Total	Total '000 U.S.\$		Canada's Percent- age of Total	Total '000 U.S.\$		Canada's Percent- age of Total
		To World	To Canada		To World	To Canada		To World	To Canada	
0	Food and live animals	610,368	6,852	1.12	627,655	6,219	0.99	765,884	6,284	0.82
1	Beverages and tobacco	77,900	1,167	1.50	77,465	1,757	2.27	83,764	1,890	2.26
2	Crude materials, excl. fuels	184,356	1,495	0.81	226,117	1,713	0.76	237,004	1,302	0.55
3	Mineral fuels, etc.	278,228	--	--	300,877	511	0.17	392,183	108	0.03
4	Animal, vegetable oil, fat	10,659	173	1.62	14,746	339	2.30	13,909	261	1.88
5	Chemicals	385,145	2,844	0.74	489,172	2,886	0.59	604,555	2,591	0.43
6	Basic manufactures	1,082,223	13,823	1.28	1,363,062	17,663	1.30	1,719,435	24,557	1.43
7	Machines, transport equipment	1,570,003	7,164	0.46	1,846,245	10,212	0.55	2,177,379	17,281	0.79
8	Misc. manufactured goods	817,621	15,164	1.85	962,638	17,902	1.86	1,106,797	17,856	1.61
9	Goods not classified by kind	30,080	105	0.35	48,318	210	0.43	87,129	168	0.19
	TOTAL-	5,046,583	48,787	0.97	5,956,295	59,412	1.00	7,188,039	72,298	1.01

Note: -- not applicable.

Source: United Nations, Commodity Trade Statistics, 1963-1965.



Based on Italy's accelerated industrial development, and the higher level of Italian economic activity, Italy now represents a growing market for Canadian goods assuming they are always competitive in every way. Italy's healthy balance of payments, increasing level of output, rising standard of living makes for a bright picture as regards Italian-Canadian trade opportunities. In addition to this, increasing consumer demand cannot be satisfied by domestic production alone.

Among the Canadian products in which Italian importers are interested are: chemicals, metals, asbestos, special machinery, lumber, wood pulp, feed grains, oil seeds, some kinds of fish, skimmed milk powder for animal feed, and various manufactured goods. With the flourishing super-markets springing up in various cities in Italy (Supermarkets Italiani) are appearing new export possibilities for us. In Italy there has recently been a demand for the cheaper, quickly built types of construction, such as pre-fabricated houses.

Canadian breeding cattle have good possibilities in the Italian market. At the 69th International Agricultural Fair in Verona held in March 1967, the Holstein - Frisian Association of America, did immediate sales of cattle of \$288,000. Additional exhibit-generated sales of cattle are expected to reach \$1 million (1).

Italian industry plans to spend abroad 9 million lire over 1967-1969 period for new plants and equipment. Despite quality machinery and equipment, there are possibilities of exports of advanced Canadian machinery and equipment to Italy.

(1) SOURCE: U.S. Foreign Agriculture.



Though Italy has been in the past mainly a market for Canadian bulk foodstuffs and raw materials, recent years have seen the importation of precision instruments, electronic devices, aircraft components and such other manufactured goods as household products, toys and games, hand tools, sporting goods and heating and air conditioning equipment.

Foreign market surveys indicated that the Italian market has good sales potential for automotive maintenance, machine tools, production equipment for the electronic industry, medical and dental equipment, catering and food processing equipment, industrial fasteners, industrial process controls, packaging machinery, data processing equipment, boating, photography, housewares, metal finishing equipment, laboratory equipment and chemical processing equipment.

It is estimated that by 1975 Italy will be importing yearly over 3.5 million metric tons of corn, barley, rye, oats, etc., although domestic production will be up. At present Italy imports more than two million tons of feed grains at the current rates it is likely that imports will exceed that estimate before 1975.

"Invisibles" play a substantial role in Italy's earnings of Canadian dollars. Major sources of Italian invisible earnings are shipping, the growing number of Canadian tourists in Italy, and the more rapidly increasing flow of immigrants' remittances from Canada to dependants in Italy.





15. Balance of Trade.

Italian exports and imports and balance of trade, 1956-1964, in million of U. S. dollars were as follows: (1)

<u>YEAR</u>	<u>IMPORTS c.i.f.</u>	<u>EXPORTS f.o.b.</u>	<u>BALANCE</u>
1956	3,175	2,145	-1,030
1957	3,674	2,552	-1,122
1958	3,216	2,577	- 639
1959	3,369	2,913	- 456
1960	4,725	3,648	-1,077
1961	5,223	4,183	-1,040
1962	6,056	4,666	-1,390
1963	7,590	5,055	-2,535
1964	7,231	5,956	-1,275
1965	7,380	7,200	- 180
1966	8,568	8,028	- 540

In the last few years Italy has had a constant foreign trade deficit. The Italian Government is giving top priority to reducing the foreign trade deficit. It has initiated measures to increase agricultural production, limit internal consumption of durable goods and promote Italian exports.

The tourist business and other invisible earnings more than offset the merchandise deficit, so that Italy's payment surplus of roughly \$675 million, will lead Italian hard currency reserves to a respectable high.

SOURCE: United Nations Statistical Data.



## 16. Balance of Payments

The balance of payments is the faithful mirror of the economic transactions affecting the international economic position of a country.

The process of balance of payments adjustment in Italy was made more flexible by variations in the volume of foreign bank credit. The foreign bank credits helped to raise the level of Italian reserves in the deficit period and to lower it in the surplus period.

The improvement in the Italian balance of payments was slow during the first five years after the Second World War, because Italy had to pay for its imports of raw materials and of capital goods with substantial net borrowing and direct investment from abroad.

The strong rise in exports progressively reduced the current deficit of the balance of payments and transformed it to a large surplus during the last years. Beginning with 1962 Italian balance of payments has been seriously upset by an excessive economic growth and the development of strong inflationary tendencies.

The 1964 balance of payments surplus was even higher than the optimistic forecast of U.S. \$700 million, having come to \$777.4 million - compared with a deficit of U.S. \$1,244 million in 1963. This was in part possible because of the increase in exports in 1964 to \$5.96 billion, or 17.8% higher than in 1963, and the fall in imports by 4.7% to \$7.23 billion.



The Italian balance of payments, by reason of the reduction in the trade deficit and increase of certain surplus items as: freights, tourism, emigrants remittances etc. closed in 1965 with a surplus.

Italy's Balance of Payments Surplus in 1966 totaled the equivalent of \$695.6 million, sharply contracted from \$1594 million in 1965, which had been the highest ever.

The Italian balance of payments, 1964-1965, was as follows (billion lire):

ITEMS	1964	1965
CURRENT ITEMS. . . . .	+ 203.9	+ 1,017.9
Goods (exports and imports cif) . . . . .	— 932.4	— 296.5
Freights . . . . .	+ 207.8	+ 226.1
Foreign travel . . . . .	+ 516.7	+ 663.5
Emigrants' remittances . . . . .	+ 344.4	+ 421.7
Income from investment . . . . .	— 61.5	— 55.3
Other services . . . . .	+ 52.1	+ 39.1
Travelling items, adjust- ments, arbitration (ba- lance) . . . . .	+ 40.1	— 24.1
Government transactions . . . . .	+ 36.7	+ 43.4
CAPITAL ACCOUNT . . . . .	+ 279.8	— 21.5
Private . . . . .	+ 270.2	— 60.1
Public . . . . .	+ 9.6	+ 38.6
TOTAL . . . . .	+ 483.7	+ 996.4

SOURCE: Bank of Italy

Italian official gold and foreign exchange reserves at the end of fourth quarter were as follows:

1964	3,824 million of U. S. dollars
1965	4,415 million of U. S. Dollars
1966	4,566 million of U. S. dollars

Such reserves are still ample to meet the trading needs of the country.





### 17. Economic Trade Policy

The first Italian Economic Plan, originally developed in 1964 and designed to run for the five years, 1965 - 1969, had to be rolled over because of political difficulties in getting it off the ground and it now covers the period 1966 - 1970.

The basic objective of the 1966 - 1970, plan is to achieve an annual growth of at least 5% in national income in order to achieve full employment by 1970. New jobs are to be found in industry for  $1\frac{1}{2}$  million people most of them for people leaving agriculture.

In the Five Year Plan, 1966 - 1970, industrial production is scheduled to rise by 7% yearly, agriculture by 2.85%, services by 4.15%, construction by 2.7% and public administration by 3.65%.

In March 1967 Italian Chamber of Deputies, approved this Five Year Plan.

Immediately after the Second World War, most imports into Italy needed a licence. Only certain imports from OECD countries were free. Payments were carried out according to payment agreements or in convertible currencies. In 1950 liberalization of imports began in Italy.

As Italy has practically no natural resources, the need for supplies from abroad accelerated the process of import liberalization. In the process of liberalization, priority was given to essential goods.

Nowadays, a strong influence on Italian trade policy arises from its membership in the Common Market. Italy is also a member of GATT



and there are only a few quantitative restriction on imports.

Italy is a relatively high-duty country. Except for raw materials, nearly all of which are admitted duty free, imports of most industrial products from the countries outside of EEC are dutiable at rates ranging 4% to 20% ad valorem. There is also an equalization import tax, commensurate with the sales tax paid during the manufacturing process of similar items made in Italy and various other customs charges.

#### 17a. Investment

In the past 10 years, foreign investment has been flowing into Italy at a steadily rising pace. The Italian Government looks favourably on foreign investment and grants special guarantees for the repatriation of foreign capital and profits.

According to the Italian Statistical Data, Investment of Foreign Capital in Italy from 1956 to 1965, by economic sectors (in thousands of millions lire) were as follows:

ECONOMIC SECTOR	Period 1956-1964	1965	Total
Oil and mining .....	171.400	16.144	187.544
Mechanical & electromechanical .....	30.900	11.689	42.589
Foodstuffs .....	13.300	7.833	21.133
Paper .....	12.300	0.950	13.250
Metallurgy, iron & steel .....	27.300	0.883	28.183
Rubber .....	14.300	0.500	14.800
Chemico-pharmaceutical .....	78.300	4.480	82.780
Agricultural .....	2.600	0.002	2.602
Clothes and textiles .....	4.900	0.320	5.220
Hotels (Tourism) .....	25.900	1.573	27.473
Building .....	6.300	0.299	6.599
Wood .....	0.400	0.495	0.895
Ship-building .....	5.800	0.540	6.340
Glass industry .....	4.700	—	4.700
Various .....	10.900	0.587	11.487
Total .....	409.300	46.295	455.595

The Canadian share of total Italian investment, 1965, was 0.97%.

The distribution of Investment of Foreign Capital in Italy, from 1956 to 1965, by country of origin (in thousands of millions of lire) were as follows:



COUNTRY	Period 1956-1964	1965	Total
Austria .....	—	0 246	0 246
United States .....	139 700	24 356	164 056
Great Britain .....	80 400	4 051	84 451
Germany .....	70 900	2 955	73 855
Switzerland .....	61 500	8 300	69 800
Panama .....	11 100	—	11 100
Belgium .....	3 400	0 898	4 298
France .....	12 300	3 170	15 470
Venezuela .....	4 400	0 010	4 410
Canada .....	3 500	0 935	4 435
Holland .....	14 100	0 096	14 196
Japan .....	—	1 278	1 278
Other countries .....	8 000	—	8 000
Total .....	409 300	46 295	455 595

As regards the subdivision of the investments according to the different regions of Italy, those areas that benefited chiefly were, in order, Lombardy, Piedmont, Venezia Giulia, Lazio, Sicily, Campania and Tuscany.

The economic sectors that have chiefly benefited from foreign investments are: oil and mining, chemico-pharmaceutical, mechanical and electromechanical and tourism.

As regard the countries of origin most of the investment came from the United States, followed by Great Britain, Germany and Switzerland.

It is interesting to note that private outgoing Italian foreign investment at the end of 1962, was 30.15 percent of the value of incoming private foreign investment in Italy. The Canadian share of private incoming foreign investment was 1.95% of the total.

The distribution of Italian investment and aid abroad, according to the Italian Foreign Exchange Office, by recipient country, on December 31, 1962 was as follows:

NOTE: According to the Foreign Trade Institute, Foreign Investments in Italy totalled 7.8 billion lire (\$12.48 million) in the first 1967 quarter against 11 billion lire (\$17.6 million) in the corresponding 1966 period.





<u>RECIPIENT COUNTRY</u>	<u>U.S. \$-millions</u>
Europe:	
Austria	31.7
Benelux	40.1
France	119.7
Germany, F. R.	54.9
United Kingdom	40.1
Switzerland	81.2
Spain	37.2
Other European countries	29.1
Western Hemisphere:	
United States	149.6
Canada	20.2
Other American countries	221.0
Africa	138.9
Asia	37.2
Oceania	6.8
International Organizations	29.2
TOTAL	1,036.9

According to the Annual Reports of the International Monetary Fund, the flow of Italian investment in 1963, in millions of dollars was as follows:

Outflow	115
Inflow	<u>1,240</u>
Net inflow	\$1,125

According to the official estimates, over-all foreign direct investment accounts for a mere 5% of all investments in the Italian economy.

According to the Italian Institute for Foreign Trade, total foreign investment in Italy in 1966 reached \$91.1 million, and came chiefly from the United States (\$59.8 million), Switzerland (\$13 million), United Kingdom (\$4.3 million), Belgium (\$2.8 million) and France (\$2.7 million) (1).

NOTE: (1) Exchange rate of lire to U.S. Dollars in December 1966 was 624.45. (Source: International Monetary Fund).



17b. Licensing.

During 1960 foreign firms and individuals drew from Italy \$48 million in royalties and fees for patents, trademarks, copyrights, technical and similar assistance.

A serious drawback to licensing in Italy is the fact that transfers of trademarks, patents, blueprints, etc are not considered investment and are not covered by Law No. 43, which guarantees repatriation of capital and earnings of foreign investors.

A company wishing to assign its patent should apply to a patent agency or attorney operating in Italy. The duration of assignment should not exceed the 15 year period established for the protection of Italian patents. Registration with the Italian Patent Office represents the legal title not only for protection of the patent but for transfer of royalties accruing from it.

18. Conclusions

Italy's present economic problems are not unusual for a country that has been industrializing fast. The boost given to consumption with rising level of living in Italy, has temporarily outrun the capacity for increased production and the gap has been filled by a massive increase in imports.

According to a Survey made by the Bank of Italy in 1965, 7% of total personal income in Italy was spent for durable goods: Automobiles accounted for over two thirds of all expenditures for consumer durable goods, while 450 billion lire was spent for electrical appliances, furniture, sewing machines and motorcycles.



Government and privately - planned investment programmes will have a big influence on the Italian economy in general. Investment in Italy will probably shift toward modernization of plant and equipment with the purpose of cutting production costs.

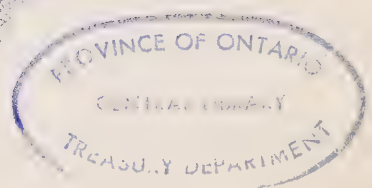
Plant modernization in Italy is imperative if competition on international and especially European levels is to be maintained, in view of the lowering of customs tariffs and the pressure of wage improvement.

In the agricultural sector, in spite of Italian efforts to promote its agricultural production it seems clear that Italy will be dependant on imports of certain agricultural products to finance these imports, Italy must augment its exports in all sectors.

One of the principal objectives of Italian economic policy is to promote an increase in productivity with a view to giving the domestic labour force reasonable prospects of high employment. But, as the Italian economy approaches full employment, there is a risk of another "wage explosion" comparable to that of 1961 - 1964. 1965 was the first time that the Italian economy reached full employment conditions in the post-war period.

Inflation in Italy is becoming a very real problem. Internally, inflationary pressures are mounting steadily, while externally the trade deficit has cut into Italian gold and foreign exchange reserves.

In general Italy's new economic expansion has a solid base, embracing almost all sectors of the economy. Nowadays the Italian economy is firmly supported by strong foreign demands and solid domestic consumption.





# ERRATA

- Page 25 - Section 10 - Electricity  
Paragraph 2, line 1  
"Because of Italy's geographical position..."
- Page 49 - Line 2  
"Beverage and tobacco"





Date Due



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